

Message Text

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ACTION EB-07

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
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FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 5540

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E.O.11652:N/A
TAGS: EGEN, EFIN, CI
SUBJ: INFLATION IN JUNE

1. DURING JUNE THE CHILEAN CONSUMER PRICE INDEX (CPI) INCREASED BY 3.3 PERCENT, ACCORDING TO THE NATIONAL INSTITUTE OF STATISTICS INFLATION FOR THE FIRST SIX MONTHS OF THE YEAR AMOUNTED TO 33.6 PERCENT, DOWN FROM 90.6 PERCENT DURING THE SAME PERIOD LAST YEAR.

2. INFLATION BY MAJOR COMPONENTS WAS AS FOLLOWS: FOOD 2.2 PERCENT; HOUSING 3.9 PERCENT; CLOTHING 3.6 PERCENT; OTHERS 5.6 PERCENT.

3. INFLATION OF PREVIOUS TWELVE-MONTH PERIOD NOW STANDS AT 92.3 PERCENT. THIS IS THE LOWEST TWELVE-MONTH INFLATION FIGURE REGISTERED SINCE 1972.

4. COMMENT: THE GOC EXPECTATION OF A TWO-DIGIT INFLATION RATE FOR 1977 APPEARS MORE AND MORE LIKELY. THE 33.6 PERCENT INCREASE THUS FAR IN 1977, IF ANNUALIZED, WOULD BE 78.5 PERCENT. BUT IF THE JUNE RATE OF 3.3 PERCENT WERE TO CONTINUE FOR THE FOLLOWING 12 MONTHS THE TOTAL INCREASE WOULD BE 47.6 PERCENT. THE POSITIVE IMPLICATIONS OF THESE DECREASING CPI FIGURES IN TERMS OF REAL WAGES, REAL CONSUMPTION LEVELS AND OTHER ECONOMIC VARIABLES APPEAR TO BE VERY SIGNIFICANT. DECREASING INFLATION IS LIKELY TO MEAN
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GREATER ECONOMIC STABILITY, ESPECIALLY IN THE EYES OF FOREIGN AND DOMESTIC INVESTORS. THUS WE MAY EXPECT A CONTINUING ACCELERATION IN THE GROWTH RATE OF THE CHILEAN ECONOMY.
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